

MITCHELL COUNTY
INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

June 30, 2020

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MITCHELL COUNTY
Osage, Iowa

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Barb Francis	Board of Supervisors	Jan 2021
Steve Smolik	Board of Supervisors	Jan 2021
Stan Walk	Board of Supervisors	Jan 2021
Lowell Tesch	County Auditor	Jan 2021
Shannon Paulus	County Treasurer	Jan 2023
Pat Skuster	County Recorder	Jan 2023
Greg Beaver	County Sheriff	Jan 2021
Mark Walk	County Attorney	Jan 2023
Amy Folkerts	County Assessor	Appointed



Renner & Birchem, PC

Certified Public Accountants

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Independent Auditor's Report

To the Board of Supervisors
Mitchell County
Osage, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mitchell County, Iowa, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Mitchell County as of June 30, 2020 and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 15 to the financial statements, Mitchell County, Iowa adopted new accounting guidance related to Governmental Accounting Board Statement No. 84, Fiduciary Activities. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 6 through 10 and 44 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mitchell County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2021 on our consideration of Mitchell County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Mitchell County's internal control over financial reporting and compliance.



Renner & Birchem, P.C.

March 24, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mitchell County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of Mitchell County is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 2.1% or approximately \$368,000, from fiscal 2019 to fiscal 2020. Property taxes increased approximately \$43,000, operating grants and contributions decreased approximately \$85,000, capital grants and contributions decreased approximately \$53,000 and charges for services decreased \$40,000.
- Program expenses were 2.0% or approximately \$350,000 more in fiscal 2020 than in fiscal 2019. Roads and transportation increased approximately \$743,000.
- The County's net position increased 0.9%, or approximately \$120,000, over the June 30, 2019 balance.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Mitchell County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Mitchell County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Mitchell County acts solely as an agent or custodian for the benefit of those outside of the County government (Custodial Funds).

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes.

Supplementary Information provides detailed information about the non-major governmental and the individual Custodial Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two types of funds:

(1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenues Funds, such as Mental Health, Rural Services and Secondary Roads, Urban Renewal, and 3) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

(2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Custodial Funds that account for emergency management services and the County Assessor, to name a couple.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Mitchell County's combined net position increased from a year ago, increasing from \$13,424,000 to \$13,544,000.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2020	2019
Current and Other Assets	17,941	15,419
Capital Assets	39,649	40,273
Total Assets	57,590	55,692
Deferred outflows of resources	1,092	1,566
Long-Term Debt Outstanding	34,189	33,893
Other Liabilities	1,476	705
Total Liabilities	35,665	34,598
Deferred inflows of resources	9,473	9,236
Net Position:		
Invested in Capital Assets, Net of debt	13,137	11,347
Restricted	3,580	4,419
Unrestricted	(3,173)	(2,342)
Total Net Position	13,544	13,424

Net position of Mitchell County's governmental activities increased 0.9% (approximately \$13.5 million compared to approximately \$13.4 million). The largest portion of the County's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, decreased from a deficit of approximately \$2,342,000 at June 30, 2019 to a deficit balance of approximately \$3,173,000 at the end of the year, a decrease of 35.5%.

Changes in Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30	
	2020	2019
Program Revenues:		
Charges for service	\$ 861	901
Operating grants and contributions	4,211	4,296
Capital grants and contributions	170	223
Property taxes	6,633	6,590
Unrestricted investments earnings	157	365
Other general revenues	5,828	5,117
Total revenues	17,860	17,492

Program Expenses:		
Public safety and legal services	1,994	1,909
Physical health and social services	1,060	1,247
Mental health	450	661
County environmental and education	1,925	1,641
Roads and transportation	7,139	6,396
Government services to residents	489	467
Administration	2,773	3,154
Non-program	40	12
Interest on long-term debt	1,870	1,903
Total expenses	17,740	17,390
Increase (decrease) in net position	120	102
Net position beginning of year, as restated	13,424	13,322
Net position end of year	13,544	13,424

The County's revenue increased 2.1% (\$368,000). The total cost of programs and services increased 2.0%, (\$350,000) with no new programs added this year.

The cost of all governmental activities this year was \$17.7 million compared to \$17.4 million last year. However, as shown in the Statement of Activities on page 13, the amount ultimately financed for these activities through County taxes and other unrestricted revenues was only \$12.0 million because some of the cost was paid by those directly benefited from the programs (\$861,149) or by governments and organizations that subsidized certain programs with grants and contributions (\$4,381,338).

INDIVIDUAL MAJOR FUND ANALYSIS

As Mitchell County completed the year, its governmental funds reported a combined fund balance of \$7,900,806, which is \$1,596,857 above last year's total of \$6,303,949. The following are the major reasons for the changes in fund balances from the prior year.

General Basic – Increase of \$2,423,128 due to bond issue.

Mental Health – Increase of \$40,276 due to normal operations.

Rural Services- Increase of \$16,139 due to normal operations.

Secondary Roads –Increase of \$387,137 due to normal operations.

Urban Renewal– Decrease of \$1,395,525 due to transfers out.

Capital Projects – Decrease of \$172,008 due to ongoing projects.

BUDGETARY HIGHLIGHTS

Over the course of the year, Mitchell County amended its budget two times. Total increase of expenditures was \$13,607,200.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, Mitchell County had approximately \$39.6 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease (including additions and deletions) of approximately \$623,000.

Capital Assets of Governmental
Activities at Year End
(Expressed in Thousands)

	June 30,	
	2020	2019
Land	3,730	3,345
Buildings and Improvements	22,692	23,056
Equipment and vehicles	1,784	1,883
Infrastructure	11,444	11,989
Total	39,650	40,273

The County had depreciation expense of \$2,356,582 for the year ended June 30, 2020 and total accumulated depreciation as of June 30, 2020 of \$21,296,183.

Debt Administration

At June 30, 2020, the County had approximately \$31,242,000 in general obligation bonds and other debt outstanding compared to approximately \$30,551,000 at June 30, 2019, as shown below.

Outstanding Debt of Governmental Activities at Year-End
(Expressed in Thousands)

	June 30,	
	2020	2019
G.O. Capital Loan Notes	\$ 30,435	29,380
Loan Agreements	807	1,171
Total	\$ 31,242	30,551

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Mitchell County's outstanding general obligation debt is below its constitutional debt limit of approximately \$70 million. More detail about the County's long-term liabilities is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Mitchell County's elected and appointed officials and citizens considered many factors when setting the 2021 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. One of those factors is the economy which includes oil, gas prices and utility costs. Others include land valuations and the consumer price index (CPI). The County has added no major programs or initiative to the 2021 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, 212 South 5th Street, Osage, Iowa.

BASIC FINANCIAL STATEMENTS

Mitchell County
Osage, Iowa

Exhibit A

Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 8,555,361
Receivables:	
Property tax:	
Delinquent	55,379
Succeeding year	5,514,474
Succeeding year tax increment financing	2,993,318
Accounts	504,744
Interest	348
Due from other governments	15,588
Inventories	301,479
Capital assets (net of accumulated depreciation)	39,649,376
Total assets	<u>57,590,067</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>1,091,696</u>
Liabilities	
Accounts payable	1,364,221
Salaries and benefits payable	111,910
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes	3,280,000
Loan agreements	80,816
Compensated absences	232,038
Portion due or payable after one year:	
General obligation notes	27,155,000
Loan agreements	726,482
Net pension liability	2,599,280
Net OPEB liability	115,362
Total liabilities	<u>35,665,109</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	5,514,474
Unavailable tax increment financing revenue	2,993,318
Pension related deferred inflows	964,865
Total deferred inflows of resources	<u>9,472,657</u>
Net Position	
Invested in capital assets, net of related debt	13,137,329
Restricted for:	
Mental health purposes	100,809
Secondary roads purposes	1,824,288
Other purposes	1,654,626
Unrestricted	(3,173,055)
Total net position	<u>\$ 13,543,997</u>

See notes to financial statements.

Mitchell County
Osage, Iowa

Exhibit B

Statement of Activities
Year ended June 30, 2020

	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue Changes in Net Position
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,994,105	100,772			(1,893,333)
Physical health and social services	1,060,227	176,503	732,554		(151,170)
Mental health	450,181				(450,181)
County environment and education	1,925,228	119,440	9,970		(1,795,818)
Roads & transportation	7,138,747	26,940	3,468,402	170,412	(3,472,993)
Governmental services to residents	488,655	437,494			(51,161)
Administration	2,772,497				(2,772,497)
Non-program	40,247				(40,247)
Interest/fees on long-term debt	1,870,224				(1,870,224)
Total	\$ 17,740,111	861,149	4,210,926	170,412	(12,497,624)
General Revenues:					
Property and other county tax levied for:					
General purposes					6,632,718
Penalty and interest on property tax					15,344
State tax credits					597,194
Tax increment financing					3,152,008
Local option sales tax					682,931
Unrestricted investment earnings					156,647
Miscellaneous					1,380,397
Total general revenues					12,617,239
Change in net position					119,615
Net position beginning of year					13,424,382
Net position end of year					\$ 13,543,997

See notes to financial statements.

Mitchell County
Osage, Iowa
Balance Sheet
Governmental Funds
June 30, 2020

Exhibit C

	Special Revenue							
	General	Mental Health	Rural Services	Secondary Roads	Urban Renewal	Capital Projects	Nonmajor	Total
Assets								
Cash and pooled investments	\$4,380,553	99,966	282,756	2,721,888	(632,694)	47,973	1,654,919	8,555,361
Receivables:								
Property tax:								
Delinquent	35,379	2,941	17,059					55,379
Succeeding year	3,314,979	294,150	1,905,345					5,514,474
Succeeding year tax increment financing					2,993,318			2,993,318
Accounts	89,268			402,481			12,995	504,744
Accrued interest							348	348
Inventories				301,479				301,479
Total assets	\$7,820,179	397,057	2,205,160	3,425,848	2,360,624	47,973	1,668,262	17,925,103
Liabilities, Deferred Inflows of Resources and Fund Balances								
Liabilities:								
Accounts payable	\$ 157,291		10,037	1,179,945		7,500	9,448	1,364,221
Salaries and benefits payable	64,972		5,723	41,215				111,910
Total liabilities	222,263		15,760	1,221,160		7,500	9,448	1,476,131
Deferred inflows of resources:								
Unavailable revenues:								
Succeeding year property tax	3,314,979	294,150	1,905,345					5,514,474
Succeeding year tax increment financing					2,993,318			2,993,318
Other	25,187	2,098	13,089					40,374
Total deferred inflows of resources	3,340,166	296,248	1,918,434		2,993,318			8,548,166
Fund balances:								
Nonspendable:								
Inventories				301,479				301,479
Restricted for:								
Mental health purposes		100,809						100,809
Rural services purposes			270,966					270,966
Secondary road purposes				1,903,209				1,903,209
Drainage							12,702	12,702
Debt service							3,003	3,003
Capital projects						40,473		40,473
Other purposes					(632,694)		1,643,109	1,010,415
Unassigned	4,257,750							4,257,750
Total fund balances	4,257,750	100,809	270,966	2,204,688	(632,694)	40,473	1,658,814	7,900,806
Total liabilities, deferred inflows of resources and fund balances	\$7,820,179	397,057	2,205,160	3,425,848	2,360,624	47,973	1,668,262	17,925,103

See notes to financial statements.

Mitchell County
Osage, Iowa

Exhibit D

Reconciliation of the Balance Sheet-
Governmental Funds to the Statement of Net Position

June 30, 2020

Total governmental fund balances (page 14) **\$ 7,900,806**

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$60,945,557 and the accumulated depreciation is \$21,296,181.

39,649,376

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

55,962

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental fund, as follows:

Deferred outflows of resources

1,091,696

Deferred inflows of resources

(964,865)

126,831

Long-term liabilities, including bonds payable, other post employment benefits payable, net pension liability and compensated absences payable, and drainage warrants/drainage improvement certificates payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

(34,188,978)

Net position of governmental activities (page 12)

\$ 13,543,997

See notes to financial statements.

Mitchell County
Osage, Iowa

Exhibit E

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds

Year ended June 30, 2020

	Special Revenue							Total
	General	Mental Health	Rural Services	Secondary Roads	Urban Renewal	Capital Projects	Nonmajor	
Revenue:								
Property and other county tax	\$ 3,458,535	351,849	1,914,540		1,075,485		475,506	7,275,915
Tax increment financing					10,922,628			10,922,628
Interest and penalty on property tax	15,344							15,344
Intergovernmental	1,068,881	135,357	155,580	3,638,814	91,645		9,970	5,100,247
Licenses and permits	4,225			14,164				18,389
Charges for services	790,842		23,701	26,940			19,666	861,149
Use of money and property	135,380						21,116	156,496
Miscellaneous	222,664			793,804		54,070	142,874	1,213,412
Total revenues	5,695,871	487,206	2,093,821	4,473,722	12,089,758	54,070	669,132	25,563,580
Expenditures:								
Operating:								
Public safety and legal services	1,403,999		592,858					1,996,857
Physical health and social services	1,013,767						2,534	1,016,301
Mental health		446,930						446,930
County environment and education services	1,839,726		235,211				242,905	2,317,842
Roads and transportation				6,275,780				6,275,780
Governmental services to residents	407,800							407,800
Administration	2,096,537						1,000	2,097,537
Non -program							40,247	40,247
Debt service	52,804			246,392	12,235,283		2,394	12,536,873
Capital projects				197,288		226,078	2,000	425,366
Total expenditures	6,814,633	446,930	828,069	6,719,460	12,235,283	226,078	291,080	27,561,533
Excess(deficiency) of revenues over (under) expenditures	(1,118,762)	40,276	1,265,752	(2,245,738)	(145,525)	(172,008)	378,052	(1,997,953)
Other financing sources (uses):								
Sale of capital assets	6,997							6,997
Transfers in	110,342			2,632,875			30,000	2,773,217
Transfers out	(163,262)		(1,249,613)		(1,250,000)		(110,342)	(2,773,217)
General obligation bonds issued	3,587,813							3,587,813
Total other financing sources (uses)	3,541,890		(1,249,613)	2,632,875	(1,250,000)		(80,342)	3,594,810
Net change in fund balances	2,423,128	40,276	16,139	387,137	(1,395,525)	(172,008)	297,710	1,596,857
Fund balances beginning of year	1,834,622	60,533	254,827	1,817,551	762,831	212,481	1,361,104	6,303,949
Fund balances end of year	\$ 4,257,750	100,809	270,966	2,204,688	(632,694)	40,473	1,658,814	7,900,806

See notes to financial statements.

Mitchell County
Osage, Iowa

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds to the Statement
of Activities

Year ended June 30, 2020

Change in fund balances - Total governmental fund (page 16) **\$ 1,596,857**

*Amounts reported for governmental activities in the statement of
activities are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlays in the current year as follows:

Expenditures for capital assets	1,743,636	
Depreciation expense	<u>(2,356,582)</u>	(612,946)

In the Statement of Activities, the loss on the disposition of capital assets is reported, where as the governmental funds report the proceeds from the disposition as an increase in financial resources. (10,430)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds.

Property tax	39,734	
Other	<u>(8,781)</u>	30,953

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments, as follows:

Issued	(3,587,813)	
Repaid	<u>2,896,029</u>	(691,784)

The current year County employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 409,715

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	(11,332)	
Pension expense	(538,647)	
Other postemployment benefits	<u>(52,771)</u>	(602,750)

Change in net position of governmental activities (page 13) **\$ 119,615**

See notes to financial statements.

Mitchell County
Osage, Iowa

Exhibit G

Statement of Fiduciary Net Position

Custodial Funds

June 30, 2020

Assets

Cash and pooled investments:

County Treasurer	\$ 1,359,435
Other County officials	46,896

Property tax receivable:

Delinquent	134,917
Succeeding year	14,623,345

Accounts receivable	451
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Accrued interest	182
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Total assets	16,165,226
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Liabilities

Accounts payable	7,879
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Salaries payable	6,498
------------------	-------

Due to other governments	875,514
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Trust payable	46,654
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Compensated absences	11,079
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Total liabilities	947,624
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Deferred Inflows of Resources

Unavailable property tax revenue	14,623,345
----------------------------------	------------

Total net position	\$ 594,257
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See notes to financial statements.

Mitchell County
Osage, Iowa

Exhibit H

Statement of Change in Fiduciary Net Position

Custodial Funds

June 30, 2020

Additions:

Property and other county tax	\$ 14,768,964
911 surcharge	197,540
State tax credits	1,411,950
Office fees and collections	304,559
Auto licenses, use tax and postage	4,108,318
Assessments	42,124
Trusts	261,299
Miscellaneous	108,705
Total additions	<u>21,203,459</u>

Deductions:

Agency remittances:	
To other funds	279,892
To other governments	20,884,894
Trusts paid out	<u>12,161</u>
Total deductions	<u>21,176,947</u>

Changes in net position 26,512

Net position beginning of year, as restated 567,745

Net position end of year \$ 594,257

See notes to financial statements.

Mitchell County
Osage, Iowa

Notes to Financial Statements

June 30, 2020

1. **Summary of Significant Accounting Policies**

Mitchell County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. **REPORTING ENTITY**

For financial reporting purposes, Mitchell County has included all funds, organizations, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Mitchell County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units - The following component units are entities which are legally separate from the County, but are so intertwined with the County they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by Mitchell County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Mitchell County Auditor's office.

Jointly Governed Organizations - The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following board and commissions: Mitchell County Assessor's Conference Board, Mitchell County Emergency Management Commission, and Mitchell County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Custodial Funds of the County.

B. **BASIS OF PRESENTATION**

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net asset use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. The County has elected to show the Mental Health and Capital Projects Funds as a discretionary major funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, intellectual disabilities, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Additionally, the County reports the following funds:

Fiduciary Fund - Custodial Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The government-wide, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications-committed, assigned and then unassigned fund balances.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. **ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE/NET POSITION**

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments- The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the non-negotiable certificates of deposit which are stated at cost.

For purpose of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax and tax increment financing receivables represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax and tax increment financing receivables have been recorded, the related revenue is reported as deferred inflows of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with 1 1/2% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2019.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable, but has not been collected.

Drainage Assessments Receivable - Drainage assessments receivable represents the amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than ten nor more than twenty annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessment receivable represents assessments which are due and payable but have not been collected. Assessment receivable represents assessments which are due and payable but have not been collected.

Due From and Due to Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2020, balances of interfund amounts receivable or payable have been recorded in fund financial statements.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded in the applicable governmental-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with an initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Intangibles	25,000
Equipment and vehicles	5,000

Capital assets of the County is depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Buildings	40 – 50
Buildings and improvements	20 – 50
Infrastructure	30 – 50
Intangibles	5 – 20
Equipment	2 – 20
Vehicles	3 – 10

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and OPEB expense and contributions from the County after the measurement date but before the end of the County's reporting period.

Due to Other Governments - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable - Trusts payable represent amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Compensated Absences - County employees accumulated a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2020. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and Secondary Roads Funds.

Long-term Liabilities - In the governmental-wide financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance cost, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions – For purposes of measuring the net pension liability, deferred outflow of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net pension of the Iowa Public Employees' Retirement System (IPERS) and additions to/ deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Rural Services and Secondary Roads Funds.

Total OPEB Liability – For Purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the Mitchell County's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Rural Services and Secondary Roads Funds.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future year and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax and tax increment financing receivables that will not be recognized until the year in which they are levied.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable and tax increment financing receivable that will not be recognized until the year for which they are levied, unrecognized items not yet charged to pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

Fund Balance - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

2. Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest Rate Risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

Concentration of Credit Risk – The County places no limit on the amount that may be invested in any one issuer.

3. **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	REAP	\$ 25,000
	Conservation Land Acquisition	<u>85,342</u>
		<u>110,342</u>
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	1,249,613
	Urban Renewal	1,250,000
	General	<u>133,262</u>
		<u>2,632,875</u>
Conservation Land Acquisition	General	<u>30,000</u>
Total		<u>\$2,773,217</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. **Capital Assets**

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,344,638	384,874		<u>3,729,512</u>
Total capital assets not being depreciated	<u>3,344,638</u>	<u>384,874</u>		<u>3,729,512</u>
Capital assets being depreciated:				
Buildings	20,887,996	308,104		21,196,100
Improvements other than building	6,897,037	58,066		6,955,103
Machinery and equipment	7,034,819	495,611	(298,332)	7,232,098
Infrastructure	<u>21,335,765</u>	<u>496,981</u>		<u>21,832,746</u>
Total capital assets being depreciated	<u>56,155,617</u>	<u>1,358,762</u>	<u>(298,332)</u>	<u>57,216,047</u>
Less accumulated depreciation for:				
Buildings	3,961,999	536,193		4,498,192
Improvements other than building	766,914	193,549		960,463
Machinery and equipment	5,151,839	584,287	(287,902)	5,448,224
Infrastructure, road network	<u>9,346,751</u>	<u>1,042,553</u>		<u>10,389,304</u>
Total accumulated depreciation	<u>19,227,503</u>	<u>2,356,582</u>	<u>(287,902)</u>	<u>21,296,183</u>
Total capital assets being depreciated, net	<u>36,928,114</u>	<u>(997,820)</u>	<u>(10,430)</u>	<u>35,919,864</u>
Governmental activities capital assets, net	<u>\$ 40,272,752</u>	<u>(612,946)</u>	<u>(10,430)</u>	<u>39,649,376</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities	
Public safety and legal services	\$ 108,658
County environment and education	139,926
Roads and transportation	1,428,520
Governmental services to residents	14,945
Administrative services	664,533
Total depreciation expense - Governmental activities	<u>\$ 2,356,582</u>

5. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Custodial:		
Agricultural Extension	Collections	\$ 3,157
Schools		126,432
Community Colleges		9,385
Corporations		63,156
Auto License & Use Tax		380,567
All others		292,817
Total for Custodial Funds		<u>\$ 875,514</u>

6. Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2020 is as follows:

	General Obligation Capital Loan Notes	Loan Agreements	Compensated Absences	Net Pension Liability	Net OPEB Liability	Total
Beginning Balance	\$ 29,380,000	1,170,514	220,706	3,059,854	62,591	33,893,665
Increases	3,587,813		11,332		52,771	3,651,916
Decreases	2,532,813	363,216		460,574		3,356,603
Ending Balance	<u>\$ 30,435,000</u>	<u>807,298</u>	<u>232,038</u>	<u>2,599,280</u>	<u>115,362</u>	<u>34,188,978</u>
Due Within One Year	<u>\$ 3,280,000</u>	<u>80,816</u>	<u>232,038</u>			<u>3,592,854</u>

General Obligation Capital Loan Notes

On June 25, 2014, the County issued \$8,520,000 of General Obligation Loan Notes to finance constructing and equipping a County Courthouse, interest is due semi-annually with rates of 2.0% to 3.75% payable on December 1 and June 1 of each year. Principal payments are due annually on June 1. The capital loan notes mature June 1, 2033. Details on the note agreement are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$420,000	208,408	628,408
2022	430,000	195,808	625,808
2023	445,000	182,908	627,908
2024	455,000	169,558	624,558
2025	470,000	155,908	625,908
2026-2033	<u>4,330,000</u>	<u>687,295</u>	<u>5,017,295</u>
	<u>\$ 6,550,000</u>	<u>1,599,885</u>	<u>8,149,885</u>

On March 10, 2015 the County issued \$5,740,000 of General Obligation Capital Loan Notes to refinance 2009 road projects loan, interest is due semi-annually with a rate of 2.0% payable on December 1 and June 1 of each year. Principal payments are due annually on June 1. The capital loan note matures June 1, 2024. Details on the note agreement are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 725,000	59,700	784,700
2022	740,000	45,200	785,200
2023	750,000	30,400	780,400
2024	<u>770,000</u>	<u>15,400</u>	<u>785,400</u>
	<u>\$ 2,985,000</u>	<u>150,700</u>	<u>3,135,700</u>

On July 27, 2016 the County issued \$8,640,000 of General Obligation Capital Loan Notes to refinance 2010 road projects loan and 2013 road and bridge repairs and sanitary sewer treatment improvement, interest is due semi-annually with a rate of 2.0% to 2.25% payable on December 1 and June 1 of each year. Principal payments are due annually on June 1. The capital loan note matures June 1, 2032. Details on the note agreement are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 990,000	145,123	1,135,123
2022	1,015,000	125,323	1,140,323
2023	1,030,000	105,022	1,135,022
2024	1,055,000	84,423	1,139,423
2025	390,000	63,323	453,323
2026-2032	<u>2,935,000</u>	<u>246,825</u>	<u>3,181,825</u>
	<u>\$ 7,415,000</u>	<u>770,039</u>	<u>8,185,039</u>

On May 31, 2018 the County issued \$1,420,000 of General Obligation Capital Loan Notes to finance various County projects, interest is due semi-annually with a rate of 3.0% to 4.0% payable on December 1 and June 1 of each year. Principal payments are due annually on June 1. The capital loan note matures June 1, 2025. Details on the note agreement are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$	51,500	51,500
2022	100,000	51,500	151,500
2023	430,000	48,500	478,500
2024	440,000	35,600	475,600
2025	450,000	18,000	468,000
	<u>\$ 1,420,000</u>	<u>205,100</u>	<u>1,625,100</u>

On June 27, 2018 the County issued \$1,200,000 of General Obligation Capital Loan Notes to finance funding economic development grants, interest is due semi-annually with a rate of 2.7% to 3.2% payable on December 1 and June 1 of each year. Principal payments are due annually on June 1. The capital loan note matures June 1, 2022. Details on the note agreement are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$ 375,000	24,425	399,425
2022	400,000	12,800	412,800
	<u>\$ 775,000</u>	<u>37,225</u>	<u>812,225</u>

On August 28, 2019, the County issued \$2,000,000 of General Obligation Capital Loan Notes to finance funding economic development grants, interest is due semi-annually with rates of 2.3% to 2.9% payable on December 1 and June 1 of each year. Principal payments are due annually on June 1. The capital loan note matures June 1, 2029. Details on the note agreement are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$115,000	49,363	164,363
2022	115,000	46,717	161,717
2023	115,000	44,015	159,015
2024	245,000	41,313	286,313
2025	250,000	35,433	285,433
2026-2029	<u>1,060,000</u>	<u>75,123</u>	<u>1,135,123</u>
	<u>\$ 1,900,000</u>	<u>291,964</u>	<u>2,191,964</u>

On August 28, 2019, the County issued \$1,610,000 of General Obligation Capital Loan Notes to finance various County projects, interest is due semi-annually with rates of 2.0% to 3.0% payable on December 1 and June 1 of each year. Principal payments are due annually on June 1. The capital loan note matures June 1, 2029. Details on the note agreement are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$100,000	36,150	136,150
2022	165,000	34,150	199,150
2023	170,000	30,850	200,850
2024	170,000	27,450	197,450
2025	175,000	24,050	199,050
2026-2029	<u>745,000</u>	<u>54,900</u>	<u>799,900</u>
	<u>\$ 1,525,000</u>	<u>207,550</u>	<u>1,732,550</u>

On March 31, 2020, the County issued \$7,865,000 of General Obligation Capital Loan Notes to refinance 2012 & 2015 loans, interest is due semi-annually with rates of 1.9% to 2.8% payable on December 1 and June 1 of each year. Principal payments are due annually on June 1. The capital loan note matures June 1, 2032. Details on the note agreement are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$555,000	214,982	769,982
2022	595,000	173,287	768,287
2023	610,000	161,685	771,685
2024	620,000	149,485	769,485
2025	635,000	136,775	771,775
2026-2032	<u>4,850,000</u>	<u>524,705</u>	<u>5,374,705</u>
	<u>\$ 7,865,000</u>	<u>1,360,919</u>	<u>9,225,919</u>

Loan Agreements

On February 26, 2012, the County issued \$390,000 of Notes to finance the construction of Carpenter's waste water treatment plant. Principal and interest payments are due monthly. Interest is at a rate of 2.75%. Details of the loan agreement are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$ 6,246	9,385	15,631
2022	6,420	9,211	15,631
2023	6,599	9,032	15,631
2024	6,783	8,848	15,631
2025	6,972	8,659	15,631
2026-2050	<u>311,091</u>	<u>136,353</u>	<u>447,444</u>
	<u>\$ 344,111</u>	<u>181,488</u>	<u>525,599</u>

On May 23, 2014, the County issued \$100,000 of Notes to finance the purchase of land. Principal and interest payments are due annually on March 19. Interest is at a rate of 2.70%. This loan was refinanced March, 2020. Details on the loan agreement are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$ 11,252	1,048	12,300
2022	11,556	744	12,300
2023	11,868	432	12,300
2024	<u>4,140</u>	<u>112</u>	<u>4,252</u>
	<u>\$ 38,816</u>	<u>2,336</u>	<u>41,152</u>

On June 27, 2014, the County issued \$575,000 of Notes to finance the purchase of The Mitchell Dam with hydro equipment. Principal and interest payments are due annually on July 1. Interest is at a rate of 3.875%. Details on the loan agreement are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$ 41,945	9,546	51,491
2022	42,993	8,498	51,491
2023	44,068	7,423	51,491
2024	45,170	6,321	51,491
2025	46,299	5,192	51,491
2026-2030	161,372	8,514	169,886
	<u>\$ 381,847</u>	<u>45,494</u>	<u>427,341</u>

On March 5, 2015, the County issued \$135,000 of Notes to finance the purchase of conservation equipment. Principal and interest payments are due annually on March 3. Interest is at a rate of 3.875%. Details of the loan agreement are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$ 20,795	1,641	22,436
2022	21,716	720	22,436
	<u>\$ 42,511</u>	<u>2,361</u>	<u>44,872</u>

On March 10, 2015, the County issued \$1,160,000 of Notes to finance the purchase of 6 Caterpillar Motor Graders. Principal and interest payments are due annually on August 1. Interest is at a rate of 2.6%. This loan was paid in full during the year.

Internal Loan

An advance of \$100,000 was made from the Local Option Fund to the TIF Fund in order to pay for funding of an economic development grant. This advance shall be treated as a loan (the "Loan") to the TIF Fund and shall be repaid to the Local Option Fund.

An advance of \$150,000 was made from the General Fund to the TIF Fund in order to pay for funding of an economic development grant. This advance shall be treated as a loan (the "loan") to the TIF Fund and shall be repaid to the General Fund.

7. Pension Plan

Plan Description - IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P O Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met

on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Sheriffs, deputies and protection occupation members may retire at normal retirement age, which is generally age 55. Sheriffs, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff's, deputy's or protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the County contributed 9.44% of covered payroll, for a total rate of 15.73%. The Sheriff, deputies and the County each contributed 9.51% of covered payroll, for a total rate of 19.02%. Protection occupation members contributed 6.61% of covered payroll and the County contributed 9.91% of covered payroll, for a total rate of 16.52%.

The County's contributions to IPERS for the year ended June 30, 2020 totaled \$409,716.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the County reported a liability of \$2,599,280 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the County's proportion was 0.0448875%, which was a decrease of 0.003465% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the County recognized pension expense of \$538,647. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,748	109,578
Changes of assumptions	357,713	75,595
Net difference between projected and actual earnings on pension plan investments	164,574	561,037
Changes in proportion and differences between County contributions and proportionate share of contributions	143,945	218,655
County contributions subsequent to the measurement date	409,716	
Total	<u>\$ 1,091,696</u>	<u>964,865</u>

\$409,716 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Total
2021	\$ 50,636
2022	(107,939)
2023	(79,897)
2024	(65,615)
2025	(5,351)
	<u><u>\$(208,166)</u></u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rate of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
	<u>100.0%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
County's proportionate share of the net pension liability:	\$5,251,556	2,599,280	375,099

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2020.

8. Closure and Postclosure Care Costs

Mitchell County is a member of the Floyd-Mitchell-Chickasaw Solid Waste Management Agency. The agency is an inter-governmental agency, established in accordance with the provisions of Chapter 28E of the State Code of Iowa (Inter-governmental Cooperation Agreement). The purpose of the Agency is to provide for the economic disposal or collection and disposal of all solid waste produced or generated with each member city, town, and the unincorporated portion of Floyd, Mitchell and Chickasaw Counties, comprising the municipalities. In performing its duties, the Agency may contract with and expend funds from federal, state, and local agencies and private individuals and corporations.

State and Federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring function at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near and after the date that the landfill stops accepting waste, state laws require the Agency to submit a closure and postclosure plan detailing the schedule for and the methods by which the operator will meet the conditions for proper closure and postclosure. The Agency is in compliance with this requirement.

9. Sanitary Sewer System

Mitchell County has entered into an agreement with the City of Carpenter, established in accordance with the provisions of Chapter 28E of the State Code of Iowa. The purpose of this agreement is for Mitchell County to contract with the City of Carpenter for the service and management of a sanitary

sewer collection system serving the residents of the City of Carpenter.

Mitchell County shall be responsible for ownership of the sanitary sewer system, paying the debt service as it becomes due, some of the operational costs and compliance with all reporting requirements imposed by the Iowa DNR, Federal EPA, and Rural Development of the United States Department of Agriculture with respect to the testing, monitoring, maintenance of the sanitary sewer system, and financial reporting, as well as administration of the annual budget for the operation of the City of Carpenter sanitary sewer system.

The City of Carpenter shall be responsible for providing Mitchell County permission to construct the sanitary sewer system, provide all maintenance and operation services to keep the sewer system functional and in good repair, the billing and collection of fees for sanitary sewer service, and inspecting all new hook ups. All fees collected shall be remitted to the Mitchell County Auditor.

10. **Other Postemployment Benefits (OPEB)**

Plan Description - The County administers a single-employer health benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by Mitchell County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	4
Active employees	<u>75</u>
Total	<u>79</u>

Total OPEB Liability - The County's total OPEB liability of \$115,362 was measured as of June 30, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2019)	3.00% per annum.
Rates of salary increase (effective June 30, 2019)	3.00% per annum, including inflation.
Discount rate (effective June 30, 2019)	3.15% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2019)	6.0% initial rate decreasing by .5% annually to an ultimate rater of 5.00%.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.15% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RPH-2017 total dataset mortality table fully generational using Scale MP-2017. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year	\$ 62,591
Changes for the year:	
Service cost	13,401
Interest	3,910
Differences between expected and actual experiences	42,826
Changes in assumptions	
Benefit payments	(7,366)
Net changes	52,771
Total OPEB liability end of year	\$ 115,362

Sensitivity of the County's Total OPEB Liability to changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.15%) or 1% higher (4.15%) than the current discount rate.

	1% Decrease (2.15%)	Discount Rate (3.15%)	1% Increase (4.15%)
Total OPEB liability	\$ 101,537	115,362	132,127

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.00%) or 1% higher (7.00%) than the current healthcare cost trend rates.

	1% Decrease (5.00%)	Healthcare Cost Trend Rate (6.00%)	1% Increase (7.00%)
Total OPEB liability	\$ 126,162	115,362	105,815

OPEB Expense and Deferred Outflows of Resources Related to OPEB – For the year ended June 30, 2020, the County recognized OPEB expense of \$19,848. At June 30, 2020, the County reported deferred outflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 39,268
Total	<u>\$ 39,268</u>

The amount reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ending June 30,	Amount
2021	\$ 3,463
2022	3,463
2023	3,463
2024	3,463
2025	3,463
Thereafter	21,953
	<u>\$ 39,268</u>

11. Risk Management

Mitchell County is a member in the Heartland Insurance Risk Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Insurance Risk Pool (Pool) is a local government risk-sharing pool whose membership includes ten counties throughout the State of Iowa. The Pool was formed in July 1987 to provide workers' compensation and property/casualty insurance for its members. The Pool was created for the purposes of providing and maintaining self-insurance benefits on a group basis substantially at cost.

Each member County is responsible for the payment of member contributions to the Pool on an annual basis. Member contributions to the Pool are recorded as expenditures from the operating fund at the time of payment to the risk pool. In the event of payment of any loss by the Pool, the Pool is subrogated to the extent of such payment to all the rights of the member County against any person or other entity legally responsible for damages for said loss, in such event, the member County is responsible for rendering all reasonable assistance, other than pecuniary assistance, to affect recovery. The Pool is responsible for paying the reinsurance premiums on the insurance policies when due, to pay claims in accordance with the various coverages and to make other payments as required by applicable law, to establish and accumulate a reserve or reserves in amounts which are deemed advisable or required by law to carry out the purposes of the Pool, and to pay all reasonable and necessary expenses to administer the Pool and fund.

Initial risk of loss for the self-insured coverages is retained by the Pool. The Pool obtained a reinsurance policy for the year ended June 30, 2020, which covers exposures of specific losses in excess of \$750,000, with a \$250,000 corridor deductible, per occurrence up to the statutory limits for workers compensation, and in excess of \$400,000 per occurrence, up to a maximum of \$8,000,000 per occurrence, including

the retention of the pool, for general liability, police professional, errors and omissions and automobile liability.

The Pool records a liability for unpaid claims based on estimates of reported and incurred but not reported claims and related loss adjustments expenses. At June 30, 2020, the Pool reported a surplus of assets over liabilities.

Member Counties retain the risk of claims, if any, exceeding maximum reinsurance coverages and the amount of surplus maintained in the risk pool by means of an assessment that would be charged to the member County in addition to the premium contributions. At June 30, 2020, settled claims have not exceeded the risk pool for reinsurance coverage since commencement of the risk pool.

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2020 were \$286,813.

Initial membership into the Pool is for a mandatory three year period. Subsequent to the initial term, a member County may withdraw at the end of any given fiscal year. The initial membership period for Mitchell County commenced July 1, 1987, and subject to renewal every three years. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The County also carries commercial insurance purchased from another insurer for coverage associated with the employee blanket bond. The county assumes liability for any deductible and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

12. Tax Abatements

Governmental Accounting Standards Board Statements No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

County Tax Abatements

The County provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapter 15A and 403 of the Code of Iowa. For these types of projects, the County enters into agreements with developers which require the County, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the County as part of these agreements.

For the year ended June 30, 2020, the County abated \$220,066 of property tax under the urban renewal and economic development projects.

Tax Abatements of Other Entities

Other entities within the County also provided tax abatements for urban renewal and economic development projects pursuant to Chapters 15 and 403 of the Code of Iowa. Additionally, the County of Mitchell offered an urban revitalization tax abatement program pursuant to Chapter 404 of the Code of Iowa. With prior approval by the governing body, this program provides for an exemption of taxes based on a percentage of the actual value added by improvements.

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2020 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of St. Ansgar	Urban renewal and economic development projects	\$ 95,987
City of Osage	Urban renewal and economic development projects	23,621
City of Riceville	Urban renewal and economic development projects	2,519

13. Mitchell County Financial Information Included in the Mental Health Region

County Social Services (CSS) Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Allamakee County, Black Hawk County, Butler County, Cerro Gordo County, Chickasaw County, Clayton County, Emmet County, Fayette County, Floyd County, Grundy County, Hancock County, Howard County, Humboldt County, Kossuth County, Pocahontas County, Tama County, Webster County, Winnebago County, Winneshiek County, Worth County, Wright County and Mitchell County. The financial activity of Mitchell County's Special Revenue, Mental Health Fund is included in the County Social Services (CSS) Mental Health Region for the year ended June 30, 2020 as follows:

Revenues:		
Property and other county tax		\$ 351,849
Intergovernmental Revenues:		
State tax credits	34,193	
Payments from fiscal agents	101,164	135,357
Total Revenues		487,206
Expenditures:		
Services Management		25,829
General Administration		
Direct administration	47,102	
Distribution to regional fiscal agent	373,999	421,101
Total Expenditures		446,930
Deficiency of revenues under expenditures		40,276
Fund balance beginning of the year		60,533
Fund balance end of the year		\$ 100,809

14. Subsequent Events

The County approved contracts totaling \$25,318 for repairs to the County Services building and \$88,921 for repairs to the County Shop. The County approved refunding General Obligation Bonds in the amount of \$7,865,000 and levy of taxes to pay. Approved contracts for purchase of Sheriff's computers for \$71,000.

15. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities, was implemented during fiscal year 2020. The new requirements change the definition of fiduciary activity and establish new financial reporting requirements for state and local governments which report fiduciary activity. Beginning net position for fiduciary funds was restated to retroactively report the change in net position, as follows:

	Fiduciary Activities
Net Position June 30, 2019, as Previously Reported	\$ -
Change to Implement GASBS No. 84	<u>567,745</u>
Net position July 1, 2019, as Restated	<u><u>\$ 567,745</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

Mitchell County
Osage, Iowa

Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds

Required Supplementary Information

Year ended June 30, 2020

	Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts:						
Property and other County tax	\$ 18,184,228		18,184,228	9,892,291	18,031,141	153,087
Interest and penalty on property tax	14,654		14,654	26,000	26,000	(11,346)
Intergovernmental	4,966,675		4,966,675	5,242,429	5,373,844	(407,169)
Licenses and permits	16,689		16,689	7,000	7,000	9,689
Charges for services	870,340		870,340	783,935	854,265	16,075
Use of money and property	540,999		540,999	250,250	490,945	50,054
Miscellaneous	4,455,456	1,407	4,454,049	67,600	5,663,315	(1,209,266)
Total receipts	29,049,041	1,407	29,047,634	16,269,505	30,446,510	(1,398,876)
Disbursements:						
Public safety and legal services	1,951,332		1,951,332	2,099,961	2,105,161	153,829
Physical health and social services	1,014,186		1,014,186	1,287,513	1,292,513	278,327
Mental health	567,945		567,945	579,604	579,604	11,659
County environment and education services	2,266,127		2,266,127	2,243,081	2,538,081	271,954
Roads and transportation	5,466,863		5,466,863	4,160,000	6,610,000	1,143,137
Governmental services to residents	407,303		407,303	440,861	451,361	44,058
Administration	2,080,417		2,080,417	1,995,302	2,262,502	182,085
Non-program	2,394	2,394				
Debt service	12,536,479		12,536,479	4,211,459	14,645,759	2,109,280
Capital projects	415,866		415,866	960,000	1,100,000	684,134
Total disbursements	26,708,912	2,394	26,706,518	17,977,781	31,584,981	4,878,463
Excess (deficiency) of receipts over (under) disbursements	2,340,129	(987)	2,341,116	(1,708,276)	(1,138,471)	3,479,587
Other financing sources, net	18,515		18,515	1,000	1,000	17,515
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,358,644	(987)	2,359,631	(1,707,276)	(1,137,471)	3,497,102
Balance beginning of year	6,196,715	13,691	6,183,024	5,067,603	5,067,603	1,115,421
Balance end of year	\$ 8,555,359	12,704	8,542,655	3,360,327	3,930,132	4,612,523

See accompanying independent auditor's report.

Mitchell County
Osage, Iowa

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2020

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 29,049,041	(3,485,461)	25,563,580
Expenditures	26,708,912	852,621	27,561,533
Net	2,340,129	(2,632,840)	(1,997,953)
Other financing sources, net	18,515	3,576,295	3,594,810
Beginning fund balances	6,196,715	107,234	6,303,949
Ending fund balances	\$ 8,555,359	1,050,689	7,900,806

See accompanying independent auditor's report.

Mitchell County
Osage, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2020

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units and Custodial Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$13,607,200. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

Mitchell County
Schedule of the County's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Six Fiscal Years*

Required Supplementary Information

	2020	2019	2018	2017	2016	2015
County's proportion of the net pension liability	0.0448875%	0.0483523%	0.0502922%	0.0518420%	0.0495331%	0.0458007%
County's proportionate share of the net pension liability	\$ 2,599,280	3,059,854	3,350,100	3,262,581	2,447,174	1,816,414
County's covered payroll	4,317,219	4,372,247	4,306,981	4,233,772	4,034,494	3,739,068
County's proportionate share of the net pension liability as a percentage of its covered payroll	60.20%	69.98%	77.78%	77.06%	60.66%	48.58%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

Mitchell County
Schedule of County Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years

Required Supplementary Information

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$409,716	411,521	395,025	390,538	384,566	367,261	340,458	322,982	297,793	261,452
Contributions in relation to the statutorily required contribution	(409,716)	(411,521)	(395,025)	(390,538)	(384,566)	(367,261)	(340,458)	(322,982)	(297,793)	(261,452)
Contribution deficiency (excess)										
County's covered payroll	\$4,318,675	4,317,219	4,372,247	4,306,981	4,233,772	4,034,494	3,739,068	3,631,472	3,561,454	3,566,604
Contributions as a percentage of covered payroll	9.49%	9.53%	9.03%	9.07%	9.08%	9.10%	9.11%	8.89%	8.36%	7.33%

See accompanying independent auditor's report.

Mitchell County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumptions from 4.00% to 3.25%.
- Decreased the payroll growth assumptions from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

Mitchell County

Schedule of Changes in the County's
Total OPEB Liability, Related Ratios and Notes

For the Last Three Years
Required Supplementary Information

	2020	2019	2018
Service Cost	\$ 13,401	8,298	8,297
Interest cost	3,910	2,482	2,348
Difference between expected and actual experiences	42,826	(6,602)	(7,062)
Changes in assumptions			
Benefit payments	(7,366)		
Net change in total OPEB liability	52,771	4,178	3,583
Total OPEB liability beginning of year	62,591	58,413	54,830
Total OPEB liability end of year	\$ 115,362	62,591	58,413
Covered-employee payroll	\$4,201,218	4,405,148	4,049,702
Total OPEB liability as a percentage of covered-employee payroll	2.70%	1.4%	1.4%

Notes to Schedule of Changes in the County's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2020	3.15%
Year ended June 30, 2019	3.72%
Year ended June 30, 2018	3.72%
Year ended June 30, 2017	2.50%

OTHER SUPPLEMENTARY INFORMATION

Mitchell County
Osage, Iowa

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

Special Revenue																	
Local																	
	County Disposal Closure	Option Sales Tax Bond Sinking Fund	Sheriff State Asset Forfeiture	Home Health Capital Improvement	Drug Enforcement	Resource Enhancement & Protection	County Recorder's Records Management	Drainage Districts	Conservation Land Acquisitions	Sheriff Federal Asset Forfeiture	Sheriff R&B Reimb Fund	Health Savings Account	Debt Service	Total			
ASSETS																	
Cash and pooled investments	\$ 8,703	1,061,270	17,236	57,358	22,099	9,332	16,124	12,702	339,612	162	114,771	(7,453)	3,003	1,654,919			
Receivables:																	
Property tax: Accounts							692		9,987		2,316			12,995			
Accrued interest	3	209	2	22	3	3	3		80		23			348			
TOTAL ASSETS	8,706	1,061,479	17,238	57,380	22,102	9,335	16,819	12,702	349,679	162	117,110	(7,453)	3,003	1,668,262			
LIABILITIES AND FUND BALANCES																	
Liabilities:																	
Accounts payable				23					9,425					9,448			
Fund balances:																	
Restricted for:								12,702						12,702			
Drainage													3,003	3,003			
Debt Service				57,357	22,102	9,335	16,819		340,254	162	117,110	(7,453)		1,643,109			
Other purposes	8,706	1,061,479	17,238	57,357	22,102	9,335	16,819	12,702	340,254	162	117,110	(7,453)	3,003	1,658,814			
Total fund balances	8,706	1,061,479	17,238	57,380	22,102	9,335	16,819	12,702	349,679	162	117,110	(7,453)	3,003	1,668,262			
TOTAL LIABILITIES & FUND BALANCES	\$ 8,706	1,061,479	17,238	57,380	22,102	9,335	16,819	12,702	349,679	162	117,110	(7,453)	3,003	1,668,262			

See accompanying independent auditor's report.

Mitchell County
Osage, Iowa

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2020

Special Revenue														
		Local Option Sales Tax Bond Sinking Fund	Sheriff State Asset Forfeiture	Home Health Capital Improvement	Drug Enforcement	Resource Enhancement & Protection	County Recorder's Records Management	Drainage Districts	Conservation Land Acquisitions	Sheriff Federal Asset Forfeiture	Sheriff R&B Reimb Fund	Health Savings Account	Debt Service	Total
REVENUES:														
Property and other county tax		475,506				9,970	2,387		325		16,954			475,506
Intergovernmental														9,970
Charges for services														19,666
Uses of money and property	\$ 60	10,656	1,462	382	187	390	225		6,039		1,715			21,116
Miscellaneous			3,774	5,300				1,407	132,393					142,874
Total revenues	60	486,162	5,236	5,682	187	10,360	2,612	1,407	138,757		18,669			669,132
EXPENDITURES:														
Operating:														
Physical health and social services				2,534										2,534
County environment and education									242,905					242,905
Government services to residents							1,000					40,247		1,000
Administration														40,247
Non-Program								2,394						2,394
Debt Service		2,000												2,000
Total expenditures		2,000		2,534			1,000	2,394	242,905			40,247		291,080
Excess (deficiency) of revenues over (under) expenditures	60	484,162	5,236	3,148	187	10,360	1,612	(987)	(104,148)		18,669	(40,247)		378,052
Other financing sources:														
Transfers in									30,000					30,000
Transfers out						(25,000)			(85,342)					(110,342)
Total other financing sources:						(25,000)			(55,342)					(80,342)
Change in fund balances	60	484,162	5,236	3,148	187	(14,640)	1,612	(987)	(159,490)		18,669	(40,247)		297,710
Fund balances beginning of year	8,646	577,317	12,002	54,209	21,915	23,975	15,207	13,689	499,744	162	98,441	32,794	3,003	1,361,104
Fund balances end of year	\$ 8,706	1,061,479	17,238	57,357	22,102	9,335	16,819	12,702	340,254	162	117,110	(7,453)	3,003	1,658,814

See accompanying independent auditor's report.

Mitchell County
Osage, Iowa

Combining Schedule of Fiduciary Net Position
Custodial Funds
June 30, 2020

	County Offices	Auto License & Use Tax	County Assessor	Schools	Community Colleges	Corporations	Townships	City Special Assessment	Ag Extension Education	Other	Total
Assets											
Cash and pooled investments:											
County treasurer		380,567	401,357	47,769	2,949	27,469	727	5,738	1,161	491,698	1,359,435
Other County officials	\$ 46,896										46,896
Receivables:											
Property tax:											
Delinquent			3,423	78,663	6,436	35,687	1,416		1,996	7,296	134,917
Succeeding year			342,278	8,235,568	686,177	4,261,796	167,499		199,575	730,452	14,623,345
Accounts	451										451
Accrued interest										182	182
Total assets	47,347	380,567	747,058	8,362,000	695,562	4,324,952	169,642	5,738	202,732	1,229,628	16,165,226
Liabilities											
Salaries payable			4,472							2,026	6,498
Accounts payable	693	380,567		126,432	9,385	63,156	2,143	5,738	3,157	7,186	7,879
Due to other governments										284,936	875,514
Trusts payable	46,654		3,573							7,506	46,654
Compensated absences											11,079
Total Liabilities and deferred inflows of resources	47,347	380,567	8,045	126,432	9,385	63,156	2,143	5,738	3,157	301,654	947,624
Deferred Inflows of Resources											
Unavailable revenues			342,278	8,235,568	686,177	4,261,796	167,499		199,575	730,452	14,623,345
Restricted for individuals, organizations and other governments	\$ -		396,735							197,522	594,257

See accompanying independent auditor's report.

Mitchell County
Osage, IowaCombining Schedule of Changes in Fiduciary Net Position
Custodial Funds
Year ended June 30, 2020

	County Offices	Auto License & Use Tax	County Assessor	Schools	Community Colleges	Corporations	Townships	City Special Assessment	Agricultural Extension Education	Other	Total
Additions:											
Property and other county tax			350,504	8,419,265	700,266	4,172,957	174,183		204,270	747,519	14,768,964
E-911 surcharge										197,540	197,540
State tax credits			34,393	771,159	52,089	449,808	14,278		19,331	70,892	1,411,950
Office fees and collections	\$ 302,238	4,108,318								2,321	304,559
Auto licenses, use tax and postage								42,124			4,108,318
Assessments											42,124
Trusts	175,113		307							86,186	261,299
Miscellaneous			385,204	9,190,424	752,355	4,622,765	188,461	42,124	223,601	108,398	108,705
Total additions	477,351	4,108,318								1,212,856	21,203,459
Deductions:											
Agency remittances:											
To other funds	279,892										279,892
To other governments	185,298	4,108,318	448,815	9,190,424	752,355	4,622,765	188,461	42,124	223,601	1,122,733	20,884,894
Trusts paid out	12,161										12,161
Total deductions	477,351	4,108,318	448,815	9,190,424	752,355	4,622,765	188,461	42,124	223,601	1,122,733	21,176,947
Change in net position			(63,611)							90,123	26,512
Net position beginning of year, as restated			460,346							107,399	567,745
Net position end of year			\$ 396,735							197,522	594,257

See accompanying independent auditor's report.

Mitchell County
Osage, Iowa

Schedule of Revenues By Source and Expenditures By Function -
All Governmental Funds
For the Last Ten Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Modified Accrual Basis										
Revenues:										
Property and other county tax	\$ 7,275,915	7,304,986	8,825,231	6,762,196	6,730,853	6,786,497	5,016,628	4,828,496	4,657,872	4,547,924
Tax increment financing	10,922,628	2,976,057	2,599,364	2,552,754	2,132,071	1,826,264	1,223,360	787,899	335,332	
Interest and penalty on property tax	15,344	28,881	27,922	27,066	24,471	25,952	25,061	23,793	26,819	30,520
Intergovernmental	5,100,247	5,308,358	5,437,480	6,188,751	5,406,238	5,431,723	4,392,144	4,189,311	4,069,375	4,472,312
Licenses and permits	18,389	22,665	18,935	13,257	15,602	13,691	14,785	11,772	13,485	11,724
Charges for service	861,149	901,061	1,334,440	926,613	931,252	1,265,943	1,066,544	898,892	1,304,483	1,050,222
Use of money and property	156,496	432,752	281,936	900,999	243,634	275,391	199,659	346,629	680,910	140,697
Miscellaneous	1,213,412	489,901	2,549,901	357,511	121,818	743,209	2,624,455	1,241,736	576,921	254,325
Total	\$ 25,563,580	17,464,661	21,075,209	17,729,147	15,605,939	16,368,670	14,562,636	12,328,528	11,665,197	10,507,724
Expenditures:										
Current:										
Public safety and legal services	\$ 1,996,857	1,884,130	1,749,511	1,741,359	1,661,568	1,526,173	1,435,900	1,428,657	1,395,113	1,365,825
Physical health and social services	1,016,301	1,219,361	1,751,913	1,695,999	1,710,639	1,660,210	1,542,109	1,751,877	1,589,108	1,763,706
Mental health	446,930	657,387	558,431	583,475	579,911	518,417	550,883	753,545	975,416	200,494
County environment and education services	2,317,842	1,524,182	1,675,510	1,883,557	1,228,363	1,371,256	1,870,714	1,033,116	1,998,448	1,338,562
Roads and transportation	6,275,780	4,674,030	3,196,036	4,021,957	4,342,294	6,212,210	4,268,816	3,998,926	3,114,150	3,357,019
Governmental services to residents	407,800	401,844	373,759	361,635	344,714	389,988	312,016	309,854	283,833	281,006
Administration	2,097,537	2,471,584	2,408,549	1,512,950	1,708,265	2,253,305	2,020,663	2,392,482	1,438,113	1,052,968
Non-program	40,247	11,788	2,486	2,429	5,303	34,902	69,483	1,781	2,837	2,353
Debt service	12,536,873	5,035,090	5,704,526	4,029,922	4,264,595	2,935,352	1,698,920	1,448,391	897,948	766,872
Capital projects	425,366	1,619,602	883,367	1,192,153	2,183,324	12,089,777	7,911,752	1,977,363	3,386,107	2,516,342
Total	\$ 27,561,533	19,498,998	18,304,088	17,027,436	18,028,976	28,991,590	21,681,256	15,095,992	15,081,073	12,645,147

See accompanying independent auditor's report.



Renner & Birchem, PC

Certified Public Accountants

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Officials of Mitchell County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mitchell County, Iowa, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 24, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Mitchell County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mitchell County's internal control. Accordingly, we do not express an opinion on the effectiveness of Mitchell County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Mitchell County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-20 through I-B-20 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mitchell County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Mitchell County's Responses to Findings

Mitchell County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Mitchell County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion of them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Mitchell County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

March 24, 2021



Renner & Birchem, P.C.

Mitchell County

Schedule of Findings

Year ended June 30, 2020

Part I: Findings Related to the Financial Statements:

Significant Deficiencies

I-A-20 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error and dishonesty and maximizes the accuracy of the County's financial statements.

Condition – Various functions of the Auditor, Treasurer, Recorder and Sheriff Offices are performed by the same person.

Cause – Limited staff available to segregate duties.

Effect – Inadequate segregation of duties could adversely affect the County's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation-We realize segregation of duties is difficult with a limited number of office employees. However, the County should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response- We have reviewed procedures as suggested and plan to make improvements to internal control.

Conclusion-Response accepted.

I-B-20 Credit Cards

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity's governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes included establishing policies addressing proper asset use and proper supporting documentation.

Mitchell County

Schedule of Findings

Year ended June 30, 2020

Part I: Findings Related to the Financial Statements (continued):

Condition – The County has multiple credit cards, including an Amazon account for County business use. The County has an outdated policy to regulate the use of these credit cards and Amazon account and has not established good procedures for proper accounting of the credit card charges, also sales tax is being charged on some of the credit card charges.

Cause – Adoption of a formal policy to regulate the use of credit cards has not been prioritized by the County.

Effect –Lack of written policies and procedures to regulate the use of credit cards and other accounts could result in unauthorized and unsupported transactions and the opportunity for misappropriation.

Recommendation-The County should adopt an updated formal written policy regarding the use of the County's credit cards and Amazon account. The policy, at a minimum, should address who controls the credit cards, who is authorized to use the credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response- We will review procedures and guidelines and establish a new written policy.

Conclusion-Response accepted.

Instances of Non-Compliance

No matters were reported.

Mitchell County

Schedule of Findings

Year ended June 30, 2020

Part II: Other Findings Related to Required Statutory Reporting:

II-A-20 **Certified Budget** - Disbursements during the year ended June 30, 2020 did not exceed the amounts budgeted which is in compliance with Chapter 384.20 of the Code of Iowa.

II-B-20 **Questionable Expenditures** - No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. The County adopted a resolution concerning application of grants as recommended and is following the checklist established by the County Attorney to determine the public purpose of expenditures.

II-C-20 **Travel Expense** - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

II-D-20 **Business Transactions** - Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Detail	Amount
Andy Taets, Conservation Father owns Mark's Tractor & Implement, Inc.	Skid Loader Parts and Repairs	\$ 3,089

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with Marks's Tractor & Implement, Inc., do not appear to represent a conflict of interest since the total transactions was less than \$6,000 during the fiscal year.

II-E-20 **Restricted Donor Activity** – No transactions were noted between the County, County officials, County employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

II-F-20 **Bond Coverage** - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure that the coverage is adequate for current operations.

Mitchell County

Schedule of Findings

Year ended June 30, 2020

Part II: Other Findings Related to Required Statutory Reporting (continued):

II-G-20 **Board Minutes** - No transactions were found that we believe should have been approved in the board minutes but were not.

II-H-20 **Deposits and Investments** - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

II-I-20 **Resource Enhancement and Protection Certification** - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

II-J-20 **Annual Financial Report** – The County completed and filed its June 30, 2020 GAAP AFR by December 1, 2020 as required by Chapter 331.403 of the Code of Iowa. However, the accrual entries were not correctly posted to the County books, therefore not reported on the GAAP AFR.

Recommendation – The County should amend its GAAP report to correctly report the accrual entries.

Response – The County amended its GAAP report.

Conclusion - Response accepted.

II-K-20 **Financial Condition**- The Urban Renewal Fund and Health Savings Account Fund had a deficit balance of \$632,694 and \$7,453, respectively.

Recommendation – The County should investigate alternatives to eliminate these deficits in order to return them to a sound financial condition.

Response – The Urban Renewal deficit was subsequently eliminated with a transfer, the County will transfer to eliminate the deficit in the Health Savings Account Fund.

Conclusion - Response accepted.

Mitchell County

Schedule of Findings

Year ended June 30, 2020

Part II: Other Findings Related to Required Statutory Reporting (continued):

II-L-20 **Tax Increment Financing (TIF)** – An internal loan was approved by the Board in the amount of \$400,000 to assist in a natural gas pipeline report/study and was properly certified. However, the internal loan was not actually transacted.

Recommendation – The County should complete the necessary transaction establishing the approved interfund loan of \$400,000 and any costs paid from the Local Option Sales Tax Fund should be paid back. Only payments on loans, advances, bond indebtedness and interfund loans are to be made from the Urban Renewal Fund.

Response – We will immediately set up interfund loan and reimburse for costs paid from the Urban Renewal Fund.

Conclusion – Response accepted.

II-M-20 **Annual Urban Renewal Report** – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the following reporting exceptions were noted:

The County understated the amount of revenue and expenditures.

Recommendation – The County should ensure the TIF revenue and expenditures are listed on the Annual Urban Renewal Report.

Response – This will be corrected on next year's report.

Conclusion – Response accepted.